

VZCZCXRO0266  
RR RUEHCHI RUEHDT RUEHHM RUEHNH  
DE RUEHGZ #0514/01 2370743  
ZNR UUUUU ZZH  
R 250743Z AUG 09  
FM AMCONSUL GUANGZHOU  
TO RUEHC/SECSTATE WASHDC 0882  
INFO RUEHGZ/CHINA POSTS COLLECTIVE 0243  
RUCNASE/ASEAN MEMBER COLLECTIVE  
RUEHBJ/AMEMBASSY BEIJING 0690  
RUEHCN/AMCONSUL CHENGDU 0183  
RUEHHK/AMCONSUL HONG KONG 0250  
RUEHGH/AMCONSUL SHANGHAI 0184  
RUEHSH/AMCONSUL SHENYANG 0194  
RUEHIN/AIT TAIPEI 0187  
RUEHNE/AMEMBASSY NEW DELHI 0007  
RUEHMO/AMEMBASSY MOSCOW 0008  
RUEHGV/USMISSION GENEVA 0005  
RUEAUSA/DEPT OF HHS WASHINGTON DC 0020  
RHMFIUU/DEPT OF HOMELAND SECURITY WASHINGTON DC 0025  
RUCPDO/DEPT OF COMMERCE WASHDC  
RUEATRS/DEPT OF TREASURY WASHINGTON DC 0141  
RHMFIUU/DEPT OF JUSTICE WASHINGTON DC 0020  
RUCNFB/FBI WASHINGTON DC 0019  
RHEHAAA/NSC WASHINGTON DC 0055  
RUEAIIA/CIA WASHDC 0234  
RUEKJCS/DIA WASHDC 0230

UNCLAS SECTION 01 OF 03 GUANGZHOU 000514

SENSITIVE  
SIPDIS

State for EAP/CM; EEB/IPE; EEB/TPP; EEB/CIP  
State for INL - JVigil  
USTR for China Office; IPR Office; and OCG  
Commerce for National Coordinator for IPR Enforcement  
Commerce for MAS - RLAYTON, SMATHEWS  
Commerce for MAC - ESzymanski, SWilson  
Commerce for MAC - NMelcher, JWu  
LOC/Copyright Office - STEPP  
USPTO for Int'l Affairs - LBoland, EWu  
DOJ for CCIPS - MDuBose, SChembtob  
FTC for Blumenthal  
FBI for LBryant  
DHS/ICE for IPR Center - THipelius, TRandazzo  
DHS/CBP for IPR Rights Branch - GMCCray, PPizzeck  
ITC for LLevine, LSchlitt  
State Pass White House OSTP Ambassador Richard Russell  
NSC for JBader, JLoi

E.O. 12958: N/A

TAGS: [ETRD](#) [KIPR](#) [KIND](#) [ECON](#) [EINV](#) [PGOV](#) [CH](#)  
SUBJECT: South China IPR: Cooperation with Fujian Authorities  
Gradually Improving

REF: A) GUANGZHOU 505, B) GUANGZHOU 503, C) BEIJING 1463, D)  
GUANGZHOU 320, E) BEIJING 1014, F) BEIJING 570

GUANGZHOU 00000514 001.2 OF 003

(U) This document is sensitive but unclassified. Please protect accordingly. Not for release outside U.S. government channels. Not for internet publication.

¶1. (SBU) Summary and comment: The willingness of Fujian Provincial Intellectual Property Office (IPO) and Fuzhou Customs officials to meet and share information with the Consul General on August 12 and 13 was an important step after a two-year freeze that began when the United States filed intellectual property related cases against China in 2007. Fuzhou Customs told us they had broken several landmark IP-related cases in recent years. However, figures on enforcement cases appear to show a troubling decline in enforcement action for the first half of 2009. Fujian IPO officials highlighted their expanded role promoting intellectual property rights (IPR) protection as part of the West [Taiwan] Strait Economic Development

Plan announced by China's State Council in May, 2009. Customs officials also said they were taking part in a nationwide campaign targeting IP infringers and counterfeiters who use express delivery services to smuggle illegal products to customers, an area of particular concern for several major American brand owners in south China.

12. (SBU) Comment continued: As only the second set of meetings since the Fujian government resumed IPR discussion with us after the U.S. filed IP-focused WTO cases in 2007, the Consul General's visits to Fujian IPO and Fuzhou Customs delivered an unmistakable message to local authorities that improved IPR cooperation is a top priority for the U.S. government in south China. Relations with IPO officials were polite but will require continued confidence building efforts, and the warmer reception by Fuzhou Customs may represent an opportunity for increased cooperation that might eventually serve as a model for other Fujian-based government agencies. During his meetings, the CG noted that China hopes to move up the technology ladder; he stressed that IPR protection is critical to investor decisions regarding sharing advanced technologies. For example, IPR protection is needed if China hopes to gain access to U.S. cutting edge clean energy and environmental protection technologies, technologies China desperately needs. End summary and comment.

Numbers Incomplete, Might Indicate Enforcement Decline  
-----

13. (SBU) In conjunction with the Consul General's first official visit to Fujian August 12-14 (ref A), the CG, Econoff, TDoff, and Conoff met August 12 with Fujian IPO Legal Affairs Department Chief Chen Xiaojing. This was only the second USG meeting with Fujian intellectual property officials, who for more than two years had refused to cooperate with us after the United States filed two WTO

GUANGZHOU 00000514 002.2 OF 003

cases regarding China's IPR protection in 2007. Chen offered a more extensive and detailed work report on the province's IP efforts than that provided at a previous meeting with Congenoffs in February 2009. She described how those efforts have expanded in the last year despite challenging economic conditions. However, the Fujian IPO still stopped short of releasing detailed enforcement numbers like those provided annually by the Guangdong provincial government (ref D). Chen instead told the Consul General that Fujian's patent applications increased by 16.2% in 2008, to 13,185 applications, ranking 13th among China's 26 provinces. More importantly, 7,933 patents were granted in 2008, an increase of 2.27% that ranked Fujian 11th in China. Chen said the majority of patents granted, 57.7%, were classified as invention patents, as opposed to the generally weaker utility patents also granted by China's patent office.

14. (SBU) In a separate meeting with Fuzhou Customs on August 13, Deputy Commissioner Zhao Jianzhong told the Consul General his agency would welcome more cooperation and exchange with the United States, but joint efforts would be smoothest by including Beijing's General Administration of Customs in discussions at an early stage. Zhao said Fuzhou Customs handled 537 IPR cases in 2007, more than doubling to 1095 cases in 2008. However, the first half of 2009 suggests a dramatic decline this year with only 168 cases in the first six months. Zhao declined to explain the reason for the drop (ref F). He said that among the 2009 cases handled so far, 67 related to U.S. rights holders, with a value of 2.56 million RMB (USD 375,000), or 47% of the total case value this year. Several major U.S. brands were involved in prominent Fuzhou Customs cases, and Zhao said his agency was recognized by Beijing for its work on major shoe infringement cases in 2005 and 2007, and counterfeit pharmaceuticals in March 2008.

IP Protection and West Strait Economic Development  
-----

15. (SBU) Fujian IPO Legal Affairs Department Chief Chen Xiaojing told the Consul General her office would take the lead in promoting IP protection throughout Fujian Province as part of the State Council's West [Taiwan] Strait Economic Development Plan that was announced in May, 2009. Prior to releasing the new comprehensive

economic plan, Chen said an interagency provincial leaders group was formed to help coordinate IPR efforts within the province and a memorandum of understanding on IPR protection and coordination was signed with China's State Intellectual Property Office. Over the past 18 months, Fujian has shown renewed effort to attract international investment and stimulate high-value-added manufacturing and service industries in the province, according to Chen. Fujian Provincial IPO also organized the second cross-strait IP forum in 2008 and sponsored several other exchanges including a China-EU discussion on IP protection in March 2009.

GUANGZHOU 00000514 003.2 OF 003

#### Fujian IPO Proudest of Public Outreach Activities

-----

16. (SBU) In an effort to show the Fujian IPO's more open attitude towards cooperation with the U.S. government, Legal Affairs Department Chief Chen Xiaojing single-mindedly read her work report to us focusing on a litany of outreach programs and initiatives from 2008 and 2009. Highlights included the IPO's establishment of complaint centers at major trade fairs and investment seminars throughout Fujian and campaigns to identify and reduce the number of patent infringers in retail and wholesale markets across the province. Chen said public information campaigns had focused on a range of target audiences. An IPR week campaign targets the public each April; while efforts to target industry include providing how-to-file information on the Internet and at trade fairs; and major media coverage heralding the conclusion of important IPR cases. Chen also said that over 60% of Fujian's new patent applications were filed by licensed patent agents, which the IPO has been trying to cultivate as a channel for promoting stronger IP protection in the business community.

#### Fuzhou Customs Welcomes Increased Cooperation

-----

17. (SBU) Fuzhou Customs' jurisdiction covers Fuzhou, Putian, Sanming, Nanping, Ningde and 40 counties and towns with a land area of 65,000 square kilometers and almost 2,300 kilometers of coastline, but with fewer than 1,200 customs officials. Of particular interest to U.S. brand owners is the area around Putian, which is home to the highest concentration of top-tier athletic shoes, sportswear and sports equipment factories in the world. In a detailed and professional presentation, Deputy Commissioner Zhao and his staff thanked the U.S. for our recent efforts to send local officials for training in the United States, which eventually led to an official from Xiamen Customs participating in a USPTO-APEC meeting in Hawaii last month. Customs officials also said they were taking part in a nationwide campaign targeting IP infringers and counterfeiters who use express delivery services to smuggle illegal products to customers, an area of particular concern for several major American brand owners in south China. Zhao welcomed increased cooperation with both the U.S. government and with U.S. rights holders, whom he said had regularly been invited to train customs inspectors to identify counterfeit products. Zhao commented that his agency is best able to work with U.S. officials if Beijing's General Administration of Customs is included at an early stage of planning.

GOLDBECK